

**Testimony of
Leonard H. Roberts, chairman & Chief Executive Officer
RadioShack Corporation
Before the Subcommittee on Telecommunications and the Internet
House Energy and Commerce Committee
March 10, 2005**

The following topics for discussion are presented in the attached written testimony:

- RadioShack is committed to educating consumers on the DTV transition and the exciting new options digital technologies offer consumers. RadioShack is a founding member and the current Chairman of the Consumer Electronics Retailers Coalition (CERC). As a member of CEA and CERC, RadioShack actively participated with the FCC in the development of a guide called "Buying a Digital Television" which contains the critical information consumers need when buying a digital television. Importantly, each RadioShack store posts a side-by-side copy of the guide and makes copies of the guide available to all interested customers. In addition, all RadioShack sales associates are trained to respond to consumer inquiries about the DTV transition generally. RadioShack sales associates are not only experts on RadioShack products but also on the different devices that connect with them. RadioShack sales associates are trained to work with customers to ensure that they purchase the products that best suit their needs. In areas with a significant Hispanic-American presence, our sales associates are trained bilingually.
- The uncertainty surrounding the DTV transition date is the most significant hurdle RadioShack sales associates face when working with customers interested in video products. Without a hard date in place, it is more difficult for RadioShack sales associates to offer guidance to consumers about their digital choices and for our company to decide when and where to stock the products they will need. With the predictability of a hard date, retailers would be better able to advise consumers as to which consumer electronics products best fit their needs. It would create confusion to place warning or advisory labels on analog-only television products without a date certain for the transition.
- RadioShack anticipates that millions of consumers will continue to use at least one analog television. For over-the-air viewers, this means either subscribing to cable or satellite services for the first time or purchasing a converter box and possibly an antenna. With a date certain for the transition, RadioShack expects that the price for a simple digital-to-analog converter box with minimum capabilities will drop to Motorola's stated price range of \$67. RadioShack is currently working on its own prototype converter box in this price range, which could also be packaged with an antenna. Without a date certain for the DTV transition, equipment manufacturers do not have the necessary guidance to ensure that such converter boxes will be available to consumers when they need them.

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Good Afternoon. My name is Leonard Roberts. I am the Chairman and Chief Executive Officer of RadioShack Corporation. I appreciate the opportunity to appear before you on behalf of RadioShack and the Consumer Electronics Retailers Coalition (CERC) to discuss the transition to digital television, and in particular the important issue of consumer education.¹

Information and Background

RadioShack is one of the largest retailers of consumer electronics equipment in the United States, with sales of \$4.8 billion in 2004. RadioShack sells a wide variety of consumer electronics products and services, including cellular telephones and service, computers, radios, televisions and satellite radio and television services. In addition, RadioShack is a primary resource to consumers for devices and accessories that assist in household connectivity and

¹ CERC's corporate members are Best Buy, Circuit City, RadioShack, Target, Tweeter, and Wal-Mart. Its association members are the North American Retail Dealers Association (NARDA), the National Retail Federation (NRF), and the Retail Industry Leaders Association (RILA).

networking, many of which are manufactured and branded under the RadioShack name. With approximately 7,000 company-owned and dealer stores nationwide, RadioShack is unique in its reach to consumer electronics consumers -- 94% of the U.S. population lives or works within five minutes of a RadioShack store. Having been successful in this business for a very long time, we understand that business must continually change to meet the needs of consumers.

Role in Consumer Education

As a retailer, RadioShack prides itself on its close connection with customers, evident in our motto, "You've got questions. We've got answers."® In the analog-to-digital transition, retailers are the closest connection to the consumer. For this reason, we share in the responsibility to minimize the impact of the transition on the consumer. RadioShack, like other retailers, will increasingly participate in the new market for digital displays and integrated digital televisions. Indeed, in addition to HD ready and integrated digital sets sized 27" and below, and our new digital Cinego projector, RadioShack also sells a variety of cables, connectors, digital tuners and other devices for satellite, cable and over-the-air use.²

RadioShack is also very focused on assisting the millions of over-the-air consumers who initially may not replace one or more of their analog televisions with a digital product. These consumers will either be reliant on the availability of digital-to-analog over-the-air converter boxes or will need to subscribe to a cable or satellite service.

RadioShack is a founding member of the Consumer Electronics Retailers Coalition (CERC), and presently serves as its chairman. CERC's members are committed to helping our

² The new Cinego, retailing in the \$1,300 range, is a combined DVD player, sound system, and projector. It will produce images of 27" to 140" and can be connected to a digital tuner for television viewing.

customers learn about the DTV transition, and the options and benefits that it will afford them.

We are rising to meet the challenges, problems and opportunities posed by the transition.

However, we also believe that, in order for retailers to provide the desired level of education and guidance to our customers, Congress, or to the extent possible the Federal Communications Commission, must set a hard date by which the transition will be complete. Should Congress additionally decide that a subsidy is necessary in order to facilitate the purchase of a converter box, other device or service to preserve television viewing, RadioShack and other retailers will also be ready to respond to that demand.

As we move into the digital era, retailers must respond to the varying wants and needs of their customers. Many customers will enter this new television era with one foot in the digital world, while one foot remains in the analog era. Some customers will wish to purchase a new digital device and retailers must be able to provide products that suit these customers' needs. Some of these same customers, as well as others, will enter the new era intending to preserve the use of at least one legacy analog television. Retailers must respond to that need as well. I focus the remainder of my testimony on the challenges, problems and opportunities presented by these varying needs.

The Challenges

The first challenge is to help customers understand what is going on, how it will affect them, and how to use new choices to their advantage. A consumer of video products in the year 2005 faces many more purchasing decisions than he or she did only a decade ago. A customer must consider:

- **Transmission and Display formats** – High Definition; Enhanced Definition; Standard Definition – digital (progressive); Standard Definition – interlaced (digital or analog).³
- **Program and screen formats** – Widescreen aspect ratio (16x9) or “traditional” aspect ratio (4x3).
- **Signal acquisition** – Antenna; cable; satellite; and now “wireless,” and “broadband” variations.
- **Tuning, authorization, and payment** – In the receiver; in a “set-top box” or PVR or other device; or through a “CableCARD”-enabled set that allows purchase of HDTV channels without a set-top box.
- **Types of displays** – “Traditional” and “slim” cathode ray tube (direct view and rear-projection); LCD panel; plasma panel; LCD rear-projection; DLP rear-projection; LCOS rear-projection; and DLP and other projectors.
- **Types of storage devices** – VCRs; DVRs (removable media); PVRs (non-removable media) and variations (PCs, game players, hand-held devices).
- **Types of interfaces between devices** – composite analog; component analog (SD); component analog (HD); DVI/HDMI; Firewire; USB; wireless variations; and associated forms of copy protection which triggers only for certain programming.

This wide array of features and facilities represent progress and we would not want to do without them. They allow customers to find something that fits their needs at what are becoming increasingly reasonable prices. But the availability of such a wide array of features requires retailers and manufacturers to provide increased customer guidance and that is a difficult but important mission for us.

CERC and its members have been pleased to enter into a private and public sector partnership with the Consumer Electronics Association (CEA, of which RadioShack is also a member) and the FCC. Together, CEA, CERC and FCC staff developed a 2-sided card entitled “Buying a Digital Television,” containing concise definitions and summaries of new options.

³ Transmission may be in one signal format but display in another.

RadioShack and other CERC members feature the “tip sheet” on their websites, as do CEA and CERC on their own sites.⁴ To further show support for the Commission’s effort, the card includes the logos of the FCC, CEA, and CERC. Both CEA and CERC agreed to cooperate with the FCC in making this “tip sheet” available to sales associates of any interested retailer (whether or not a CERC member) and to interested customers.⁵ Additional steps we have taken thus far include:

- **Electronic distribution.** RadioShack instructed each of its 7,000 stores to post a side-by-side copy of the “tip sheet,” and to make copies available to interested customers. Other CERC members have also distributed the tip sheet electronically to their stores. RadioShack also printed and distributed at its own cost a “tear sheet” pad of the tip sheet to each of its stores.
- **Printing in retailer magazines.** The North American Retail Dealers Association (NARDA), a board level member of CERC with 1,000 members, published a front-page article that ended in a full page rendering of the “tip sheet.” We understand that a CEA affiliate, Professional Audio-Video Retailer’s Association, has made a similar magazine publication.
- **Distribution to stores.** CEA and the FCC are working on printing “tip sheets.” CERC members who have not distributed them electronically have committed to receiving these printouts in bulk, delivering them to their individual stores nationwide and making them available to sales associates and customers alike.

The retailers’ main obligation, of course, is to train our associates to guide customers through the choices they face, and to help them arrive at a solution that fits their needs. We pride ourselves on our training, which we are constantly revising and updating to meet changing technology. For RadioShack, in areas with a large Hispanic presence, the bilingual training of

⁴ The link to this card (in side-by-side format) on RadioShack’s product web site adjoins the product description of all of our DTV-capable displays: http://www.radioshack.com/images/rebates/DTV_Tip_Sheet.pdf.

⁵ In addition to these steps, the FCC has implemented consumer education efforts through its www.dtv.gov website and its toll free consumer call center. See Federal Communications Commission’s Media Bureau Staff Report Concerning Over-The-Air Broadcast Television Viewers, MB Docket 04-210, February 28, 2005, at ¶ 22 (OTA Report).

our sales associates is critical to our success and with stores within five minutes of where all Americans live or work, this is a core part of our training process.

With many conveniently located stores of compact square footage, RadioShack markets televisions sized 27" and under and the accessories and interfaces that link television products into up-to-date home networks. Because of our focus on improving interconnectivity in the average consumer's household, we must train our sales associates not only on our own products, but on the workings of other products and technologies as well. The goal is to better serve our customers. Consumer electronics retailers serve our customers best by trying to "qualify" the customer – ascertain his or her needs and wants, home room size and space, viewing and recording practices, potential for a home network, and budget. We then proceed through a series of questions. What is your programming preference? How do you want to receive it – off air, cable, satellite, Internet? Do you want the option of moving programming throughout the house? What devices do you already have? How many of those would you like to keep? How important is sound; do you want all your products linked to a home theater receiver and speakers? Do you know about HDTV? Will you want to record HDTV? The sales associate then identifies the combination of display formats and features, signal acquisition choices, and home network options that give the consumer what he or she needs. Today, unless the consumer has already firmly decided upon a specific purchase – and with the aid of Internet research, many have – retailers can not serve the consumer by offering products on an isolated basis. Retailers must determine how all of the devices will fit together and to do this the retailer has to consider the whole picture.

The Problems

The uncertainty currently surrounding the transition date is the most significant hurdle that we and our sales associates face when working with customers interested in video products. Some have suggested that we should simply start putting a “warning label” on all analog-only television products. But in the present circumstance, we believe that such a label could only further confuse, and even mislead, our customers. Here are the things we have to consider:

- First, the present laws and regulations make the actual cutoff date for analog broadcasting in any specific local market a matter of pure speculation, dependent on market developments, regulatory definitions, and legal judgments, as to each locality, that have not yet occurred. Today, for any particular locality, it could be equally valid to project a cutoff date of one year, five years, or ten. Retailers cannot responsibly advise customers or be expected to know which products to carry on this basis.
- Second, an analog television may well serve a customer who can not make a significant investment in a television set today. Until smaller digital sets match the low prices of the smaller analog televisions, the total cost to the consumer to purchase certain analog sets is still less, even with the additional cost of a future converter box that would be added once the transition occurs. With the introduction of digital sets 27” and below, these price points will begin to change.
- Third, even *after* the date is known, a display with only an analog tuner -- or even with no tuner at all -- could *still* be an attractive purchase for some consumers. Such products would still work with commonly used analog interfaces from cable boxes, satellite boxes, personal video recorders, DVD players, game players, and analog VCRs.

RadioShack’s and CERC’s view – which we believe our vendors and our retail colleagues generally share – is that it would be appropriate to consider an advisory label about the discontinuation of analog broadcasting, ***only after a clear and reliable date has been set, and the circumstances under which converter devices will be available are known.***

With a hard date for the transition, retailers would be able provide customers more clarity about their choices.⁶ This is true for consumers seeking new digital products, as well as those seeking to continue use of their legacy products. Many consumers will likely purchase digital televisions, some will subscribe to cable or satellite for the first time and for many households, the digital-to-analog over-the-air converter box will be the desired option. With the predictability of a hard date, retailers would be better able to educate consumers and provide certainty as to which consumer electronics products best fit their needs.

The Opportunities

Retailers and manufacturers are working on products that should ease the transition to the digital television. Here are four developments that should assist consumers in understanding their choices of digital televisions or devices:

- First, starting on July 1, 2005, all large-screen sets (36" and over) that have analog, NTSC tuners will also have digital broadcast tuners. The transition to this requirement via a 50% phase-in has been expensive and difficult for our vendors, but a clear 100% obligation will help us explain this product category to consumers: any large-screen display with an analog tuner will have a digital tuner as well.
- Second, for intermediate size receivers of 25" to 36", CERC and CEA have petitioned the Commission to move the effective date of the 100% rule *up* by four months, from July 1, 2006, to March 1, 2006 – less than a year from today.⁷ Having digital tuners in television receivers in this size category should greatly increase the number of homes that can receive digital broadcasts.

⁶ See the Media Bureau's OTA Report confirming that a near-term date certain would provide a clearer, more effective message to consumers. OTA Report at ¶37.

⁷ Otherwise, this category would be subject to a 50% rule starting July 1, 2005. Such a rule, in the large screen category, has caused marketplace disruptions, confused consumers, and initially has driven supply of products *without* digital tuners *up* and demand for products *with* digital tuners *down* -- contrary to the direction that, as a policy matter, all, including CERC, would like to see. See CEA/CERC Petition for Rulemaking, In the Matter of Digital Television Tuner Requirements, ET Docket No. 05-24, November 5, 2004.

- Third, by July 1, 2007, *every* television receiver of 13" or over, and *every* VCR or other device with an analog tuner will have a digital tuner as well. These devices will have the capability of permitting a display that is already in the home to receive digital television.
- Finally, there is the advent of the **CableCARD™** – a “plug and play” device which allows consumers to select and pay for a cable operator’s scrambled digital programming *without* the need to rent a set-top box. About 70% of homes are attached to cable, although not every receiver in every home is actually connected to cable. A CableCARD receiver in such a home might be used initially as a primary viewing platform, and subsequently in another room where it can operate either using the cable or its off-air tuner. Either way, it brings that home into the digital fold. And RadioShack in particular is looking forward to offering multi-purpose products, such as game players, PVRs, computers, etc., that will also function as cable navigation devices. The CableCARD sets -- which will all have digital off-air tuners -- provide an economical portal to bring less expensive, mid-size sets into the digital age, whether via cable or antenna.⁸

Likewise, for the consumer who wishes or needs to continue the use of a legacy analog-only television, RadioShack and other retailers intend to provide a simple converter box that converts a high definition signal to an analog signal.⁹ However, the current statutory provisions guiding the transition timeframe do not provide enough information to manufacturers and retailers as to when they should have converter boxes available in the marketplace. Without a date certain for the transition’s completion, it is unclear when and where the product will be needed and at what price it will be offered. RadioShack believes that market forces will play an

⁸ In the large screen category, the cable industry has been reluctant to promote CableCARDS, because it can not yet offer video on demand and other interactive services, and possibly because its own set-top boxes do not rely on them. But help should be on the way in these areas as well: the consumer electronics and cable industries are negotiating a “Phase II” plug and play framework, which would bring interactive services into market-driven products. An FCC regulation is also due to take effect on July 1, 2006, that would require cable operators to rely on the same “security interface” (today, a CableCARD) made available for use by competitors. CERC has long supported this requirement as essential to a level playing field for devices in the digital age. CEA and CERC have urged the Commission *not* to relax this requirement in any way. See Ex Parte filing by CEA/CERC in the FCC proceeding, CS Docket No. 97-80, March 1, 2005.

⁹ According to statistics cited in the FCC’s OTA Report, there could be as many as 73 million OTA, mostly analog televisions in the market today. OTA Report at fn. 15.

instrumental role in minimizing both inconvenience and cost to the consumer, but only if the market is provided necessary certainty as to when the conversion will occur.

Currently, there are only a few converter boxes that simply convert a digital over-the-air signal to NTSC analog signal. Most converter boxes available to consumers today provide more capabilities than are needed for an analog television set that does not receive cable or satellite programming. With significant consumer demand, RadioShack as a manufacturer and retailer anticipates the need for a converter box that simply converts an ATSC terrestrial digital broadcasting signal to an analog NTSC signal. Such a box would employ a tuner without including all interfaces (such as component video for an HDTV display, digital audio outputs, or HDMI outputs, etc.). The box would merely change the ATSC signal to NTSC analog and provide a NTSC ch. 3/4 RF (F-connector) or composite video/audio output to the television.¹⁰ These converter boxes will allow analog televisions to display digital broadcasts, but not in full digital quality. As noted by FCC staff recently, converter boxes will likely receive all multiplexed channels transmitted by DTV stations, work with remote control, closed captioning, a PSIP-based programming guide, the broadcast flag, VCRs and DVRs, and meet all safety and Energy Star requirements.¹¹ It is also noteworthy that in many circumstances, both the reception and number of channel choices for the analog viewer will be an improvement over their current analog reception.

¹⁰ In addition to the need for this minimum-capability box, it is important to note that there will likely be a range of converter boxes available in the market with a range of capabilities. For example, there are already a number of consumers who have purchased HDTV monitors and who receive television signals only over-the-air. Unless they choose to subscribe to an MVPD when the transition occurs, they too will need to purchase a digital over-the-air converter box for their HDTV monitors.

¹¹ OTA Report at ¶ 18.

If the transition occurs on a specific date, RadioShack anticipates that given the desire to continue the use of tens of millions of analog televisions, the price for a simple digital-to-analog converter box with minimum capabilities could drop as low as Motorola's stated price of \$67 or even LG's price of \$50.¹² RadioShack is currently working on its own prototype converter box which will be in this price range assuming adequate demand, and which could also be packaged with an antenna as necessary.¹³

As a final note, RadioShack would like to emphasize to the Committee its readiness and ability -- and that of our CERC members -- to address all consumer needs as the transition approaches. RadioShack will provide accessibility and education to consumers, whether they seek to purchase a digital television or other digital device, or need assistance in purchasing a converter box and/or antenna for their legacy equipment. In the event that a subsidy is provided to certain households, RadioShack believes its consumer presence and accessibility -- and that of other retailers throughout communities in the U.S., would ease burdens associated with the implementation of the subsidy.

Thank you for the opportunity to share my views with the Subcommittee.

¹² Testimony of Carl J. McGrath, Motorola, Inc., before the Subcommittee on Telecommunications and the Internet, House Energy & Commerce Committee, July 21, 2004; Testimony of Dr. Jong Kim, LG Electronics, Inc. before the Subcommittee on Telecommunications and the Internet, House Energy & Commerce Committee, February 17, 2005.

¹³ Over-the-air viewers currently rely on UHF/VHF antennas to receive an analog signal. OTA digital viewers will be able to rely on existing UHF antennas to receive a digital signal. RadioShack believes that in certain circumstances, consumers who today do not receive a clear analog picture, may also need additional equipment -- an amplifier or an outdoor antenna -- to receive the digital signal. The placement of broadcast transmitting antennas may also affect consumers' antenna needs to some extent.